

Message Text

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ORIGIN ARA-20

INFO OCT-01 ISO-00 EB-11 STR-08 COME-00 TRSE-00 AGR-20

SP-03 AID-20 NSC-07 RSC-01 CIEP-03 SS-20 OMB-01

CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 CIAE-00 INR-11

NSAE-00 EA-11 /165 R

DRAFTED BY ARA/ECP:MDAVILA:MB
APPROVED BY ARA/ECP:WEKNEPPER
ARA-LA/CEN:PWACKERBARTH (DRAFT)
EB/GCP:DDUNFORD (DRAFT)
EB/OPF:RSIMPSON (DRAFT)
EB/TRP:PPILKAUSKAS (DRAFT)
STR:BSTEINBOCK (DRAFT)
COMMERCE:RRODRIGUEZ (DRAFT)
TREASURY:JJOHNSON (DRAFT)
AGRICULTURE:KREYNOLDS (DRAFT)

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R 011448Z AUG 74

FM SECSTATE WASHDC

TO AMEMBASSY SAN SALVADOR

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E.O. 11652: N/A

TAGS: ETRD, ES

SUBJECT: INVENTORY OF EL SALVADOR TRADE PROBLEMS

1. ONE OF THE KEY AREAS OF LATIN AMERICAN CONCERN HAS BEEN THAT OF US-LATIN AMERICAN TRADE ISSUES. THIS WAS HIGHLIGHTED BY THE MEXICO CITY AND WASHINGTON FOREIGN MINISTERS' MEETINGS AND BY AMBASSADOR EBERLE'S TRADE CONSULTATION TRIP TO LATIN AMERICA. AS A FOLLOW-UP TO THE SECRETARY'S INITIATIVES IN THE TRADE FIELD, THE DEPARTMENT IS IDENTIFYING THE SIGNIFICANT COUNTRY-SPECIFIC TRADE PROBLEMS OF THE REGION.

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2. IN THIS CONNECTION, THE DEPARTMENT HAS PREPARED A PRE-LIMINARY INVENTORY OF SIGNIFICANT TRADE ISSUES AFFECTING EL SALVADOR (SEE PARA. 3). THE ISSUES HAVE BEEN GROUPED UNDER FOUR GENERAL HEADINGS WHICH INCLUDE PROBLEMS THAT EL SALVADOR HAS WITH THE US AS WELL AS PROBLEMS WE HAVE WITH THEM- THE EMBASSY IS REQUESTED TO REVIEW THE LISTING AND SUBMIT ANY ADDITIONS OR COMMENTS BY AUGUST 9.

3.A. PRINCIPAL TRADE ISSUES OF EL SALVADOR WITH THE US:

1. MEAT QUOTAS: EL SALVADOR SHIPPED 9,000,000 LBS. IN 1973 AND WOULD BE AFFECTED SHOULD QUOTAS BE REIMPOSED.

2. SUGAR: THE FAILURE OF THE SUGAR ACT, IN THE CASE OF EL SALVADOR, COULD CAUSE PROBLEMS IF THE WORLD PRICE OF SUGAR WERE TO FALL MUCH BELOW PREVIOUSLY SUPPORTED US LEVELS. EL SALVADOR SHIPPED ITS QUOTA OF 57,288 TONS IN 1973.

B. PRINCIPAL US TRADE PROBLEMS WITH EL SALVADOR:

COFFEE: RECENTLY EL SALVADOR JOINED THE "OTHER MILDS" COFFEE MARKETING GROUP OSSA (OTROS SUAVES S.A.) WHICH AIMS TO SHORE UP COFFEE PRICES BY UNILATERAL PRODUCER ACTION.

C. PRINCIPAL PROBLEMS OF EL SALVADOR WITH OTHER LATIN AMERICAN COUNTRIES:

THE BORDER BETWEEN EL SALVADOR AND HONDURAS HAS BEEN CLOSED SINCE THE 1969 WAR LIMITING EL SALVADOR'S OVERLAND ACCESS TO NICARAGUA AND COSTA RICA. THE HONDURAS MARKET IS ALSO CLOSED TO EL SALVADOR'S PRODUCTS.

D. PRINCIPAL PROBLEMS OF EL SALVADOR WITH NON-HEMISPHERIC COUNTRIES:

1. EL SALVADOR IS CURRENTLY INVOLVED IN A DISPUTE WITH JAPAN OVER APPROXIMATELY 218,000 BALES OF COTTON. THE 1973 COTTON CROP WAS PURCHASED IN 1972 AS FUTURES BY THE LIMITED OFFICIAL USE

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JAPANESE AT A PRICE WELL BELOW THE CURRENT MARKET PRICE. THE SALVADOREANS HAVE DECLARED THIS CONTRACT NULL AND VOID ON THE GROUNDS THAT PRODUCTION COST INCREASES CONSTITUTE EXTRAORDINARY CIRCUMSTANCES JUSTIFYING RENEGOTIATION OF THE CONTRACT AT A HIGHER PRICE.

2. THE JAPANESE POSITION IS THAT EL SALVADOR IS RENEGING ON THE ORIGINAL CONTRACT. EFFORTS TO RESOLVE THE DISPUTE

HAVE BEEN UNSUCCESSFUL. EL SALVADOR HAS BEEN ATTEMPTING TO SELL THE COTTON TO THIRD COUNTRIES, BUT THE JAPANESE HAVE THREATENED RETALIATION AGAINST ANY COUNTRY PURCHASING THE COTTON. THE SALVADOREANS ARE DEALING DIRECTLY WITH THE JAPANESE IN THIS DISPUTE; US BROKERS ARE NOT INVOLVED. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COTTON, COMMODITIES, SUGAR, FOREIGN TRADE, MEATS, TRADE COMPLAINTS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE167281
Document Source: CORE
Document Unique ID: 00
Drafter: MDAVILA:MB
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740209-1170
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740882/aaaacsep.tel
Line Count: 121
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 10 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 SEP 2002 by rowelle0>; APPROVED <20 FEB 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INVENTORY OF EL SALVADOR TRADE PROBLEMS
TAGS: ETRD, ES, US, JA
To: SAN SALVADOR
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005